

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6749

BILL NUMBER: HB 1698

DATE PREPARED: Jan 10, 2001

BILL AMENDED:

SUBJECT: Income tax credits for new health care workers.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill allows certain new health care workers a state tax credit against the health care worker's adjusted gross income tax liability. The bill requires that to be eligible, the health care worker must provide health care services and have completed a nurse aide training program or earned a degree from a higher education institution within the previous five years. It limits the total amount of tax credits allowed in a state fiscal year to \$1,000,000. The bill also requires that money be transferred from the Tobacco Settlement Fund to the State General Fund in an amount equal to the total tax credits allowed for the previous fiscal year.

Effective Date: July 1, 2001; January 1, 2002.

Explanation of State Expenditures: This bill creates a tax credit for new health care workers. The Department of State Revenue will have additional administrative expenses with revising tax forms, instructions and computer programs to accommodate this tax credit. The Department must also adopt rules for determining the eligibility and compliance of taxpayers who claim this credit.

The bill requires that a transfer of funds is to be made from the Tobacco Settlement Fund to cover the amount of tax credits taken in the preceding year. FY 2004 would be the first year transfers would be made to cover the credits for the 2002 tax year since the first tax returns will not be filed until April 2003.

Background: Although the Tobacco Settlement calls for state payments to continue in perpetuity, the following table shows the scheduled annual payments to Indiana from the tobacco companies through FY 2025. Each annual payment is adjusted for forecast reductions in the domestic cigarette sales volume. The distributions for FY 2000 and FY 2001 are also reduced by the current budget appropriations of \$18.8 M in FY 2000 and \$28.1 M in FY 2001 for the Children's Health Insurance Program (CHIP).

Projected Annual Payments to Indiana from Tobacco Companies (Less CHIP Appropriations) and New Appropriations Provided in This Bill: FY2000 - FY2025.

FY	Projected Settlement Distribution **	Appropriation from Fund	FY	Projected Settlement Distribution **	Appropriation from Fund
2000 *	\$149.1 M	-	2013	189.2 M	\$1 M
2001 *	103.0 M	-	2014	192.1 M	1 M
2002	157.9 M	-	2015	195.1 M	1 M
2003	164.0 M	\$1 M	2016	198.2 M	1 M
2004	139.6 M	1 M	2017	201.3 M	1 M
2005	141.7 M	1 M	2018	198.0 M	1 M
2006	143.9 M	1 M	2019	201.1 M	1 M
2007	146.2 M	1 M	2020	204.2 M	1 M
2008	175.1 M	1 M	2021	207.4 M	1 M
2009	177.8 M	1 M	2022	210.7 M	1 M
2010	180.6 M	1 M	2023	213.9 M	1 M
2011	183.4 M	1 M	2024	217.3 M	1 M
2012	186.3 M	1 M	2025	220.7 M	1M
* Settlement figures are reduced by the current budget appropriations of \$18.8 M in FY2000 and \$28.1 M in FY2001 for the CHIP program.					
** The amounts in the Projected Settlement Distribution do not reflect the appropriations from the Fund as provided in this bill.					

Explanation of State Revenues: The New Health Care Worker Tax Credit is established for tax years beginning January 1, 2002. The tax credit may be claimed by a taxpayer who provides health care services and has earned a degree from an accredited higher education institution or completed training in one of the following approved programs:

- nursing
- nursing aide
- occupational therapist
- physical therapist
- physician assistant
- respiratory therapy

The health care services must be performed for one of the following programs or facilities:

- community mental health center
- community mental retardation center
- state institution
- community based residential program for the developmentally disabled
- hospital
- hospice program
- a health facility
- community health center
- migrant health center.

An eligible taxpayer is allowed a \$100 credit against the taxpayer's Adjusted Gross Income Tax liability. If the taxpayer provides health care services in a community health center, a migrant health center, a state institution, or in a shortage area, they may claim a \$200 credit. The taxpayer may claim the credit for the first five years after the taxpayer earns a degree or completed a nurse aide training program. The tax credit may not be carried over, refunded or carried back.

The total amount of credits may not exceed \$1 M annually. If the total credits applied for and allowed exceed \$1 M, the Department of State Revenue must apply a prorated reduction to all the tax credits. Individual Adjusted Gross Income Tax revenue is deposited in the General Fund. This credit will affect collections beginning in FY 2003 but the General Fund will be reimbursed for the amount of credits taken by September 1 of each year.

Based on information from the Commission for Higher Education, the following table outlines the number of degrees that were granted in the various health care fields from Indiana institutions of higher education for the 1998-1999 school year. These degrees include certificates, associates, bachelors, masters and doctorates. It is not known how many of these individuals were Indiana residents who immediately were employed in a qualified health care facility or program as noted above. It is also not known how many eligible taxpayers earned degrees from out-of-state institutions.

Health Care Program	Number of Degrees
Nursing	1,852
Practical Nursing	881
Medical Assistant	370
Occupational Therapy	79
Occupational Therapy Asst	35
Physical Therapy	56
Physical Therapy Assistant	66
Respiratory Therapy Asst	108

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Auditor; Department of State Revenue.

Local Agencies Affected:

Information Sources: Commission on Higher Education; State Budget Agency.